

# Financial Status Report

*Prepared by the Finance Department*

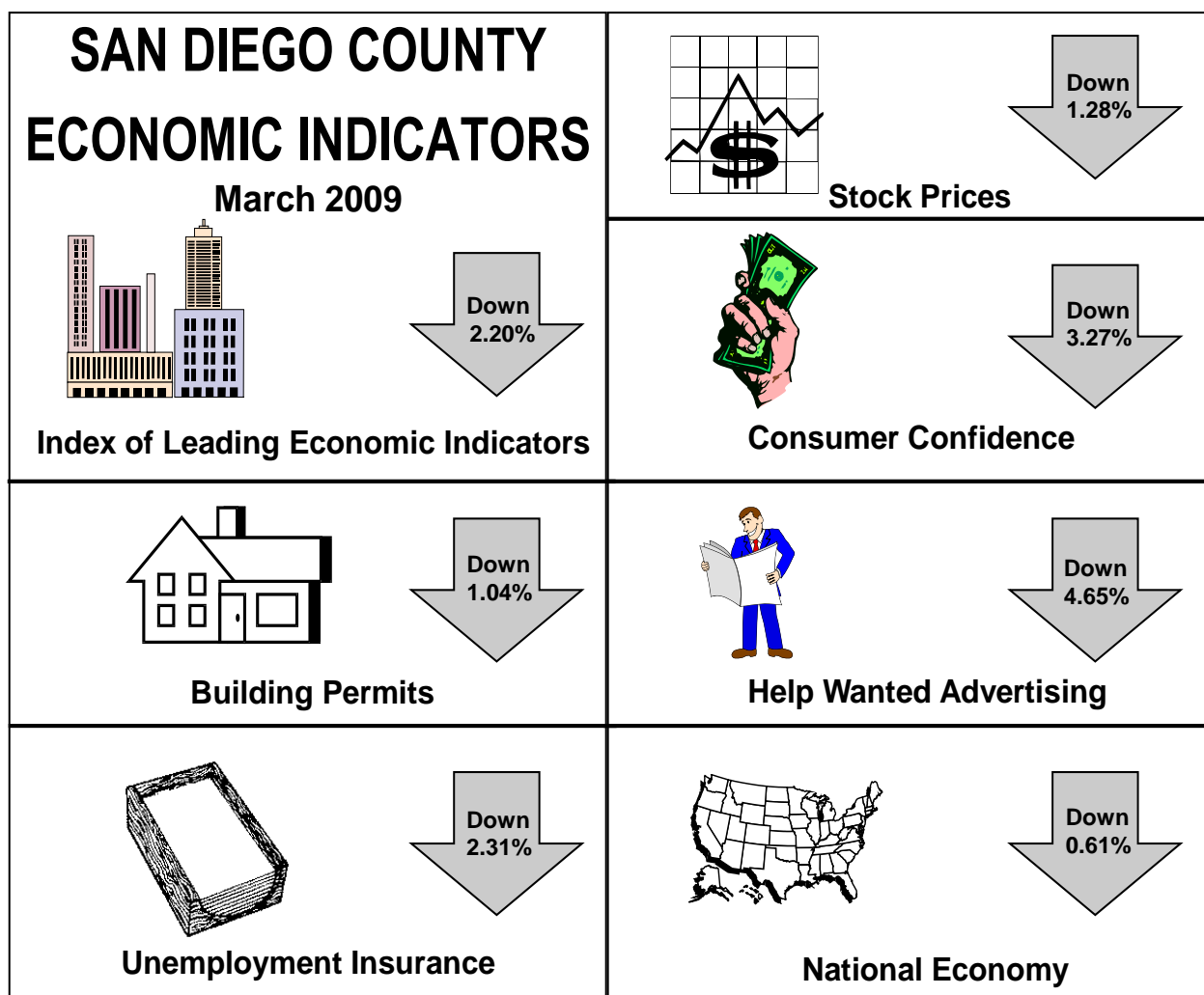


April 30, 2009

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through April 30, 2009. It compares revenues and expenditures for the first ten months of Fiscal Year 2008-09 and Fiscal Year 2007-08. In addition, the financial status of the Water and Wastewater Enterprises and the Village Project Area of the Redevelopment Agency are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

## SAN DIEGO ECONOMIC INDICATORS



Source: University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators*, April 30, 2009.

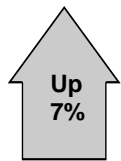
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**According to the USD Index of Leading Economic Indicators Report:**

The University of San Diego's Index of Leading Economic Indicators for San Diego County fell by 2.2% in March. All six components in the Index were down during the month, led by another record drop in help wanted advertising. Consumer confidence and initial claims for unemployment insurance were also sharply negative, while there were more moderate drops in building permits, local stock prices, and the outlook for the national economy. March's decline was the 35<sup>th</sup> decrease in the USD Index in 36 months. It was also the sixth month in a row that the Index declined by more than 2%, which corresponds to the six largest drops on record.

The outlook for the local economy remains strongly negative at this point with no turnaround in sight. The bad job growth numbers for February got worse in March, with San Diego County losing more than 44,000 jobs compared to the year before. Both the national and local economies are caught in a vicious cycle where job losses are reducing incomes, which reduces consumption, auto sales, and home sales, which in turn leads to even more job losses. An added complication is the impact on the already stressed financial system as more loans go bad in this scenario.

Residential units authorized by building permits rebounded after the two worst months ever, but it was not enough to reverse the downward trend in that component. Residential units authorized ended the first quarter down almost 25% compared to the same period in 2008. While multi-family units authorized were virtually unchanged (down 3%) for the period, single-family units authorized were down over 43% compared to 2008. Both sides of the labor market remain under heavy pressure as job losses mount and hiring dries up. Initial claims for unemployment insurance topped 30,000 for the third consecutive month, while help wanted advertising fell for the 31<sup>st</sup> month in a row. The net result was that the local unemployment rate shot up to 9.3% in March from 8.9% in February. The raw data on local consumer confidence was actually up in March compared to February, but the USD Index uses a moving average of the data to establish a trend by smoothing out random month-to-month fluctuations, resulting in a negative trend for consumer confidence that has stretched for 23 straight months. Local stock prices turned downward as the broader market averages hit a yearly low in early March. The subsequent rally off these lows later in the month was not enough to breach a modest two month up move in local stocks. Despite that, local stock prices ended the first quarter up 3.6%, compared to a 13.3% drop in the Dow Jones Industrial Average and a 3.1% decrease in the NASDAQ Composite Index. After various revisions, the National Index of Leading Economic Indicators has now fallen for three months in a row, and has now been down or unchanged for eleven consecutive months. The national economy continues to contract, with the advance estimate for first quarter Gross Domestic Product down a worse than expected 6.1% on an annualized basis. This follows a 6.3% annualized drop in the fourth quarter of 2008.<sup>1</sup>

**TOP GENERAL FUND REVENUES**

**Property Taxes (\$41.7 million)** – Property taxes reflect a 7% increase over Fiscal Year 2007-08. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 7.6% for Fiscal Year 2008-09. This is the lowest growth percentage in assessed values that the City has seen in the past six fiscal years. This reflects the continuing countywide slow down in property

valuation, but it should be noted that the City of Carlsbad still had the third largest increase year over year of any city in San Diego County.

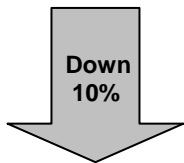
While the 7.6% increase in assessed values for the City reflects the assessed value of all of the taxable property in the City, there are several factors that affect the amount of property taxes received to date:

- Current taxes are up by 4.9%, indicating that there is either an increase in delinquencies and/or property owners are paying their taxes a little later than in previous years.
- Aircraft taxes are up by \$861,000 due to the retroactive change in the method in which aircraft are taxed.

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<sup>1</sup> University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Down Sharply in March*, April 30, 2009.

- Payments for previous years' taxes are up by \$420,000 (delinquent taxes).
- Supplemental taxes are down by \$517,000 due to the downturn in new home and existing home sales.

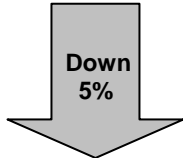


**Sales Taxes (\$19.1 million)** – For the first ten months of the fiscal year, sales tax revenues are \$2.0 million (or 10%) lower than the same time period in the previous fiscal year. Sales tax revenues to date represent actual sales tax receipts for the second, third and fourth quarters of the calendar year, as well as the first two advances of the City's first quarter sales tax revenues.

The primary factors in the decrease over the prior fiscal year is the result of a 3.6%, 5.1% and a 13.3% drop in sales tax revenues during the second, third and fourth calendar quarters respectively, and the State Board of Equalization lowering the monthly advance by 7.4% for the first calendar quarter of 2009 compared to the same quarter last fiscal year.

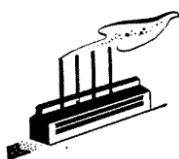
For sales occurring in the fourth calendar quarter of 2008 (the most recent data available), key gains could be seen in office equipment, wholesale building materials, and health & government. During the same period, key declines could be seen in new and used auto sales, miscellaneous retail, department stores and light industry. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were down 9.4% for sales occurring in the 12 months ended December 31, 2008 over the same 12-month period last year.

The largest economic segments in the City continue to be new auto sales, department stores, restaurants, apparel stores, and miscellaneous retail. Together, they generate 64% of the City's sales tax revenues.



**Transient Occupancy Tax (\$11.2 million)** – Transient Occupancy Taxes (TOT) for the first ten months reflect a decrease of \$653,000, 5% less than the previous year. This decrease is due entirely to softness in the tourism market and the closing of one hotel in January 2008. This decrease was partially offset by the opening of three hotels in the last half of Fiscal Year 2007-08. These hotels added 494 rooms to our inventory. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of March 2009.

Currently, there are 3,635 hotel rooms and 819 vacation rentals (timeshares) in the City. The average occupancy of hotel rooms over the most recent twelve months has been 59%.

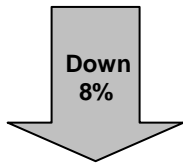


**Franchise Taxes (\$4.8 million)** – Franchise fees are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, and cable franchises conducting business within City limits. Year-to-date franchise fees are up \$178,000 over the same period last year due primarily to an increase in the annual SDG&E payment. This increase was partially offset

by a timing difference related to the cable franchise payments for the first calendar quarter of 2009. In previous years, the cable franchise payments were due within 30 days from the end of the quarter. Now that the franchisees are under State jurisdiction, the fees are not due until 45 days after the end of the quarter (a May receipt for this fiscal year).

SDG&E pays franchise taxes for the use of public land over which they transport gas and electric services. In addition, SDG&E also pays an "in-lieu" franchise tax based on the value of gas and electricity transported through SDG&E lines, but purchased from another source. The majority of "in-lieu" taxes collected is from Cabrillo Power, the operator of the Encina Plant. This "in-lieu" tax was put in place to capture the franchise taxes on gas and electricity that is transported using public lands, but which would not otherwise be included in the calculations for franchise taxes. The franchise taxes paid by SDG&E are up in total by 25%. Net electricity sales decreased by 1%, while gas sales increased by 4%. The "in-lieu" taxes are up by 62%.

for the year. The increase in “in-lieu” taxes is a reflection of the amount of utilities transported through SDG&E lines but not purchased from SDG&E, as well as a spike in the price of natural gas that occurred during the summer of 2008.



**Income from Investments and Property (\$3.1 million)** – For the first ten months of the fiscal year, income from investments and property is down \$276,000 compared to the previous fiscal year. This is due to a combination of a decrease in interest income (down 15%) and an increase in the rental of City-owned property (up 22%).

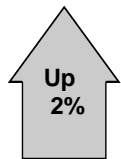
Interest income is down for the year due to the effects of a 15% decrease in the average yield on the portfolio for the first ten months of the fiscal year.

Income from property rentals and sales is up compared to the previous fiscal year primarily due to additional facility rentals at Harding, Carrillo Ranch, the Library Learning Center, the municipal pool and the Senior Center.



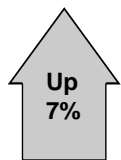
**Interdepartmental Charges (\$3.0 million)** – Interdepartmental charges are \$1.1 million, or 60% higher than last year. These charges are generated through engineering services charged to capital projects (up 131%) and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (up 47%). The City recently hired a

consultant to review the services provided by the General Fund to funds outside of the General Fund to ensure that these funds were paying the correct amount for the services that they receive. These calculations are reflected in the increase in miscellaneous interdepartmental revenues. In addition, the City’s engineers are spending more time in the current fiscal year on municipal projects, as reflected in the increase in engineering services revenues.



**Business License Tax (\$3.0 million)** – Business license revenues have increased by \$65,000 compared to Fiscal Year 2008. The reason for this increase is twofold. First, one of the City’s larger business licenses was double the amount from the previous fiscal year, indicating strong sales for the company. Secondly, there is a slight increase in the number of licenses issued this year versus last year.

There are currently 8,577 licensed businesses operating within the City, 59 more than this time last year. The majority of taxed businesses (6,032 businesses) are located in Carlsbad, with 2,600 of these businesses home-based.



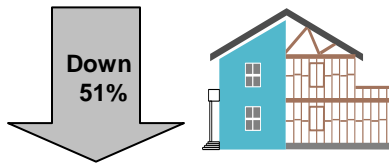
**Ambulance Fees (\$1.7 million)** – The City bills any individual who is transported in one of the City’s ambulances. Through April 2009, receipts from ambulance fees are up 7% or \$107,000 higher than last fiscal year at this time. In June 2008, the City transitioned their ambulance billing services to a new local company to enhance billing customer service. Ambulance revenues

have been impacted by an increase in the number of transported patients that were billed in the first ten months of Fiscal Year 2008-09 (3,373) versus Fiscal Year 2007-08 (3,272).



**Recreation Fees (\$1.5 million)** – Recreation fees are generated through instructional classes, youth and adult sports, the triathlon, and other special events, day trips, various aquatic programs, and lagoon permits. Year-to-date recreation fee revenue is \$37,000 higher than the previous fiscal year. The largest factors in this year’s increase are increased participation in the various

aquatic programs, youth and adult sports, day camps and the preschool program. These increases were partially offset by lower senior trips/classes, special event revenues, and instructional classes.



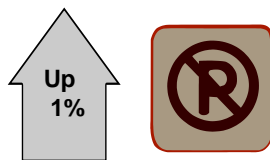
of Fiscal Year 2008-09.

**Development-Related Revenues (\$1.5 million)** – Development-related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a decrease for the year. Due to the downturn in the construction industry, it is anticipated that development-related revenues will see a decrease of 48% as compared to the previous fiscal year by the end

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. One of the largest development-related revenue sources through April is engineering plan check fees, which is one of the first fees paid during the initial stages of development. Some of the activity in April included a condominium conversion on Cove Drive, residential development at Bluwater Crossing and commercial development with the two new restaurants at the Carlsbad Paseo shopping center.

Another source of development-related revenue is building permits, which are down 40% compared to last fiscal year. The decrease in building permit revenue is derived from the combination of a decrease in the valuation of new construction and a decrease in the number of residential and commercial/industrial building permits issued. The valuation of new construction in the current fiscal year is just under \$92 million, while it was just under \$186 million in the previous fiscal year, a 51% decrease. The pace of construction spiked in April with permits being issued for 23 units. In the Southeast Quadrant, three condominium units were permitted for Avellino, and eleven single family homes were permitted in Trieste at La Costa Greens. Nine single family homes were permitted for the Rockledge neighborhood in La Costa Oaks North. For the first ten months of the fiscal year, 91 residential permits were issued, as compared to 290 permits issued during the same period last year.

For the month of April, one permit was issued in the City for new commercial space. The permit was for 979 square feet of commercial space for the games attraction in Legoland. Year-to-date there has been a combined 220,963 square feet in commercial/industrial permits issued, as compared to 963,295 square feet at this time in Fiscal Year 2008.

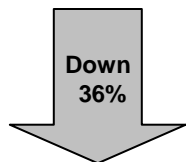


**Fines and Forfeitures (\$1.1 million)** – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The City recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. An increase in the number of moving violation citations issued has led to additional revenues received by the City, although the majority of moving violation revenue is paid to the courts for the administration of these citations.

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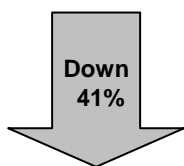
**ADDITIONAL GENERAL FUND REVENUES**

Although the top General Fund revenues represent approximately 96% of all General Fund revenues, the City has some other revenue sources, although much smaller in scale. Each month, we will highlight other revenue sources to give you some insight as to how these revenues are derived and how they are doing in the current fiscal year.



**Transfer Taxes (\$431,000)** – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The City receives 50% of the transfer tax charged for sales within the City of Carlsbad. The continued slowdown in the housing

market is reflected in the decrease in taxes received year-to-date.



**Vehicle License Fees (\$226,000)** – Vehicle License Fees (VLF) have decreased by \$159,000 over 2007-08 figures. The primary factors in the lower revenues this year are total VLF collected at the State level has decreased in 2008-09 as compared to 2007-08, and the State has increased the amount of allocated overhead to be covered by VLF revenues prior to disbursing the remaining funds to counties and cities. VLF revenues are allocated to the various jurisdictions throughout the State on a prorated basis, based on population. VLF collected through April 2009 represents transactions occurring through March 2009.

VLF are collected by the Department of Motor Vehicles and disbursed by the State Controller to the City. The State taxes motor vehicles in lieu of local property taxes. Registered vehicles include automobiles, trucks, trailers, and motorcycles.

## EXPENDITURES

Total General Fund expenditures and encumbrances through the month of April 2009 are \$97.3 million, compared to \$109.9 million at the same time last year. This leaves \$40.9 million, or 29.6%, available through the fiscal year-end on June 30, 2009. If funds were spent in the same proportion as the previous year, the General Fund would have 26.3% available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at April 30, 2009 is 26%, slightly less than the 27.1% available at April 30, 2008. Some of the larger factors reflected in the decrease in committed funds in the current fiscal year are the result of prior year commitments related to the partial funding of the Joint First Responders Training Facility; the upgrading of the City's financial information system; the purchase of a fire rescue ambulance and replacement equipment; additional funds transferred to the Infrastructure Replacement Fund for the future major maintenance and replacement of City infrastructure; and the purchase of furniture and equipment for the Senior Center expansion.

During the month of January 2009, due to the economic recession, staff brought forward to Council a proposed expenditure savings plan. This plan was approved by the City Council on January 27, 2009. Estimated General Fund revenues were reduced by \$4.6 million and \$5.3 million in appropriation reductions in the General Fund were also approved. These adjustments were made so that the City can continue to maintain a balanced budget.

The City Council has allocated \$1.3 million out of the General Fund budget to be available for unanticipated emergencies or unforeseen program needs. As of April 30, 2009, \$306,466 has been authorized out of the contingency account, as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
<b>ADOPTED BUDGET</b>	\$1,300,000		
<b>USES:</b>			
Donation to Fraternity House	(6,500)	04/01/2008	2008-092
Art Splash Assistance	(20,000)	06/24/2008	Minutes
"In Kind" Service Assistance for Art Splash	(13,398)	06/24/2008	Minutes
"In Kind" Service Assistance for the 2007 La Costa Canyon Homecoming Parade	(1,564)	09/09/2008	2008-250
"In Kind" Service Assistance for the 2008 Carlsbad High School Homecoming Parade	(3,259)	09/09/2008	2008-251
"In Kind" Service Assistance for the 2008 Carlsbad Christmas Bureau	(1,101)	10/21/2008	2008-292
Proposed Power Plant Expansion Opposition Costs	(250,000)	11/18/2008	Minutes
Donation to Boy Scout Troop 748	(645)	03/24/2009	2009-060
Donation to Fraternity House	(5,000)	04/14/2009	2009-068
Donation to Ivey Ranch	(5,000)	04/14/2009	2009-068
<b>TOTAL USES</b>	<u>(306,466)</u>		
<b>AVAILABLE BALANCE</b>	<u><u>\$993,534</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 04/30/09	ACTUAL FY 2008 AS OF 04/30/08	ACTUAL FY 2009 AS OF 04/30/09	CHANGE FROM YTD 2008 TO YTD 2009	PERCENT CHANGE
<b>TAXES</b>					
PROPERTY TAX	\$41,907,935	\$39,122,435	\$41,720,925	\$2,598,490	7%
SALES TAX	19,785,128	21,067,431	19,051,003	(2,016,428)	-10%
TRANSIENT TAX	11,218,989	11,868,512	11,215,823	(652,689)	-5%
FRANCHISE TAX	4,472,545	4,585,397	4,763,803	178,406	4%
BUSINESS LICENSE TAX	3,085,477	2,892,364	2,957,751	65,387	2%
TRANSFER TAX	340,932	671,376	430,822	(240,554)	-36%
<b>TOTAL TAXES</b>	<b>80,811,005</b>	<b>80,207,515</b>	<b>80,140,127</b>	<b>(67,388)</b>	<b>0%</b>
<b>INTERGOVERNMENTAL</b>					
VEHICLE LICENSE FEES	128,511	385,304	226,486	(158,818)	-41%
HOMEOWNERS EXEMPTIONS	186,450	185,429	187,827	2,398	1%
OTHER	619,804	1,597,850	863,485	(734,365)	-46%
<b>TOTAL INTERGOVERNMENTAL</b>	<b>934,765</b>	<b>2,168,583</b>	<b>1,277,798</b>	<b>(890,785)</b>	<b>-41%</b>
<b>LICENSES AND PERMITS</b>					
BUILDING PERMITS	357,509	649,096	390,216	(258,880)	-40%
OTHER LICENSES & PERMITS	519,464	1,010,114	515,154	(494,960)	-49%
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>876,972</b>	<b>1,659,210</b>	<b>905,370</b>	<b>(753,840)</b>	<b>-45%</b>
<b>CHARGES FOR SERVICES</b>					
PLANNING FEES	350,313	549,728	383,999	(165,729)	-30%
BUILDING DEPARTMENT FEES	350,445	527,259	327,647	(199,612)	-38%
ENGINEERING FEES	531,695	1,333,726	403,330	(930,396)	-70%
AMBULANCE FEES	1,682,323	1,629,587	1,736,389	106,802	7%
RECREATION FEES	1,562,418	1,512,788	1,549,905	37,117	2%
OTHER CHARGES OR FEES	632,959	981,694	887,383	(94,311)	-10%
<b>TOTAL CHARGES FOR SERVICES</b>	<b>5,110,154</b>	<b>6,534,782</b>	<b>5,288,653</b>	<b>(1,246,129)</b>	<b>-19%</b>
<b>FINES AND FORFEITURES</b>	<b>1,065,071</b>	<b>1,094,805</b>	<b>1,102,820</b>	<b>8,015</b>	<b>1%</b>
<b>INCOME FROM INVESTMENTS &amp; PROPERTY</b>	<b>2,877,473</b>	<b>3,360,612</b>	<b>3,084,693</b>	<b>(275,919)</b>	<b>-8%</b>
<b>INTERDEPARTMENTAL CHARGES</b>	<b>2,800,274</b>	<b>1,874,935</b>	<b>3,009,179</b>	<b>1,134,244</b>	<b>60%</b>
<b>OTHER REVENUE SOURCES</b>	<b>484,159</b>	<b>489,494</b>	<b>692,229</b>	<b>202,735</b>	<b>41%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$94,959,873</b>	<b>\$97,389,936</b>	<b>\$95,500,869</b>	<b>(\$1,889,067)</b>	<b>-2%</b>

(1)

(1) Calculated General Fund revenues are 0.6% above revised estimates as of April 30, 2009.



GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT					
DEPT	DESCRIPTION	TOTAL	AS OF 04/30/09		
		BUDGET FY 2008-09	AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE*
POLICY/LEADERSHIP GROUP					
	CITY COUNCIL	\$438,022	\$293,251	\$144,771	33.1%
	CITY MANAGER	2,150,933	1,387,805	763,128	35.5%
	COMMUNICATIONS	1,135,543	776,384	359,159	31.6%
	CITY CLERK	202,375	123,237	79,138	39.1%
	CITY ATTORNEY	1,374,266	1,012,896	361,370	26.3%
	CITY TREASURER	215,295	147,917	67,378	31.3%
	TOTAL POLICY/LEADERSHIP	5,516,434	3,741,490	1,774,944	32.2%
ADMINISTRATIVE SERVICES					
	ADMINISTRATION	785,276	643,205	142,071	18.1%
	ENVIRONMENTAL RESOURCES MGMT.	279,481	161,120	118,361	42.4%
	FINANCE	3,578,209	2,536,113	1,042,096	29.1%
	HUMAN RESOURCES	3,504,034	1,840,159	1,663,875	47.5%
	RECORDS MANAGEMENT	985,663	683,944	301,719	30.6%
	TOTAL ADMINISTRATIVE SERVICES	9,132,663	5,864,541	3,268,122	35.8%
PUBLIC SAFETY					
	POLICE	27,631,230	22,390,076	5,241,154	19.0%
	FIRE	18,786,440	14,085,780	4,700,660	25.0%
	TOTAL PUBLIC SAFETY	46,417,670	36,475,856	9,941,814	21.4%
COMMUNITY DEVELOPMENT					
	COMMUNITY DEVELOPMENT ADMIN	3,231,309	2,399,782	831,527	25.7%
	HIRING CENTER (c)	88,000	85,071	2,929	3.3%
	GEOGRAPHIC INFORMATION	611,615	481,332	130,283	21.3%
	ECONOMIC DEV/REAL ESTATE MANAGEMENT	425,548	339,294	86,254	20.3%
	PLANNING	4,827,921	3,719,654	1,108,267	23.0%
	BUILDING	2,406,374	1,759,414	646,960	26.9%
	TOTAL COMMUNITY DEVELOPMENT	11,590,767	8,784,547	2,806,220	24.2%
COMMUNITY SERVICES					
	PARK PLANNING & RECREATION	6,458,696	4,553,387	1,905,309	29.5%
	SENIOR PROGRAMS	1,101,875	869,889	231,986	21.1%
	LIBRARY	10,703,410	7,939,317	2,764,093	25.8%
	CULTURAL ARTS	950,528	758,078	192,450	20.2%
	TOTAL COMMUNITY SERVICES	19,214,509	14,120,671	5,093,838	26.5%
PUBLIC WORKS					
	PUBLIC WORKS ADMINISTRATION	1,749,421	852,165	897,256	51.3%
	ENGINEERING	10,128,852	6,613,491	3,515,361	34.7%
	PARKS	6,047,185	4,625,995	1,421,190	23.5%
	STREETS & TRAFFIC SIGNALS	4,351,297	3,591,829	759,468	17.5%
	FACILITIES	4,873,963	3,361,103	1,512,860	31.0%
	TOTAL PUBLIC WORKS	27,150,718	19,044,583	8,106,135	29.9%
NON-DEPARTMENTAL & CONTINGENCY					
	OTHER NON-DEPARTMENTAL (a)	10,369,615	1,422,012	8,947,603	86.3%
	TRANSFERS OUT	7,810,000	7,810,000	0	0.0%
	CONTINGENCY	993,534	0	993,534	100.0%
	TOTAL NON-DEPT & CONTINGENCY	19,173,149	9,232,012	9,941,137	51.8%
TOTAL GENERAL FUND		\$138,195,910	\$97,263,700	\$40,932,210	29.6%

(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.

(b) Total committed includes expenditures and encumbrances.

(c) The Hiring Center contracts are encumbered in full at the beginning of each year, thereby reducing the available funds.

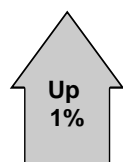
\* Amount available would be 26.3% if funds were spent in the same proportion as the previous year.

**WATER ENTERPRISE**

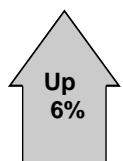
## WATER OPERATIONS FUND

### APRIL 30, 2009

	BUDGET FY 2008-09	YTD 04/30/2008	YTD 04/30/2009	CHANGE FROM YTD 2007-08 TO YTD 2008-09	PERCENT CHANGE
<b>REVENUES</b>					
WATER DELIVERY	25,146,606	16,175,534	16,642,495	466,961	2.9%
MISC. SERVICE CHARGES	246,715	174,875	203,930	29,055	16.6%
PROPERTY TAXES	2,864,531	2,396,319	2,531,643	135,324	5.6%
FINES, FORFEITURES & PENALTIES	326,905	217,320	218,753	1,433	0.7%
OTHER REVENUES	335,863	660,591	273,570	(387,021)	-58.6%
<b>TOTAL OPERATING REVENUE</b>	<b>28,920,620</b>	<b>19,624,639</b>	<b>19,870,391</b>	<b>245,752</b>	<b>1.3%</b>
<b>EXPENSES</b>					
STAFFING	2,922,559	2,397,560	2,364,267	(33,293)	-1.4%
INTERDEPARTMENTAL SERVICES	2,330,414	1,950,393	1,965,225	14,832	0.8%
PURCHASED WATER	14,950,000	8,764,689	9,324,301	559,612	6.4%
MWD/CWA FIXED CHARGES	3,136,598	1,988,149	2,225,575	237,426	11.9%
OUTSIDE SERVICES/MAINTENANCE	853,089	381,913	374,810	(7,103)	-1.9%
DEPRECIATION/REPLACEMENT	3,352,981	2,468,000	2,760,471	292,471	11.9%
CAPITAL OUTLAY	92,501	69,675	18,545	(51,130)	-73.4%
MISCELLANEOUS EXPENSES	1,042,336	528,185	550,309	22,124	4.2%
<b>TOTAL OPERATING EXPENSES</b>	<b>28,680,478</b>	<b>18,548,564</b>	<b>19,583,503</b>	<b>1,034,939</b>	<b>5.6%</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>240,142</b>	<b>1,076,075</b>	<b>286,888</b>	<b>(789,187)</b>	<b>-73.3%</b>

**Revenues**

- The increase in water delivery revenues is the result of a combination of a 7% decrease in the number of water units sold, an overall 20% increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2009, and an additional 2,196 residential water customers over the last 12 months.
- The decrease in other revenues is primarily due to reduced interest revenues as a result of the Marbella settlement costs and legal fees paid by the Enterprise in August 2007.

**Expenses**

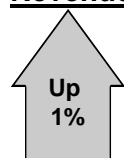
- Temporary help was used in the prior fiscal year to fill several vacant positions. In addition, 1.1 in full-time equivalent positions were eliminated from the Enterprise during the current fiscal year and management incentive pay had been accrued at this time last year.
- The cost to purchase water has two components; a variable and fixed component. The variable component (purchased water expenses) reflects a decrease of 2.4% in the amount of water purchased combined with a 13% purchased water rate increase effective January 2009. The fixed component (MWD/CWA fixed charges) does not change, regardless of the quantity of water purchased. Year-to-date expenses reflect a recent rate increase of 11.9% over the prior year at this time. These rates have been adjusting upward on a semi-annual basis over the past couple of years.
- Increased depreciation expenses reflect recently acquired/constructed water infrastructure assets.

**Outlook**

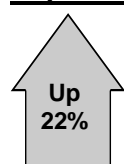
Currently, the operating results for the Enterprise reflect a year-to-date profit of \$286,888. April figures reflect ten months of water sales, yet only nine months of water purchases are recorded at this time. In addition, depreciation expenses are only recorded on a quarterly basis. Based on activity to date, and a delay in the water rate increases (this amounted to an estimated \$3 million reduction in water delivery revenues), the Enterprise deficit is projected to be between \$1 million and \$1.2 million by the end of the fiscal year. There is a sufficient retained earnings balance to cover this projected deficit.

**WASTEWATER ENTERPRISE**

<b>WASTEWATER OPERATIONS FUND</b>					
<b>APRIL 30, 2009</b>					
	<b>BUDGET</b>	<b>YTD</b>	<b>YTD</b>	<b>CHANGE FROM</b>	<b>PERCENT</b>
	<b>FY 2008-09</b>	<b>04/30/2008</b>	<b>04/30/2009</b>	<b>YTD 2007-08 TO</b>	<b>CHANGE</b>
				<b>YTD 2008-09</b>	
<b>REVENUES</b>					
CHARGES FOR CURRENT SERVICES	9,331,233	6,664,647	6,949,827	285,180	4.3%
INTEREST	115,767	156,263	70,181	(86,082)	-55.1%
OTHER REVENUES	216,719	290,637	159,662	(130,975)	-45.1%
<b>TOTAL OPERATING REVENUE</b>	<b>9,663,719</b>	<b>7,111,547</b>	<b>7,179,670</b>	<b>68,123</b>	<b>1.0%</b>
<b>EXPENSES</b>					
STAFFING	1,683,729	944,098	1,207,069	262,971	27.9%
INTERDEPARTMENTAL SERVICES	1,170,809	936,705	972,962	36,257	3.9%
ENCINA PLANT SERVICES	3,220,551	1,458,712	1,753,810	295,098	20.2%
OUTSIDE SERVICES/MAINTENANCE	365,006	300,534	226,911	(73,623)	-24.5%
DEPRECIATION/REPLACEMENT	3,569,550	2,571,943	2,892,722	320,779	12.5%
CAPITAL OUTLAY	478,283	10,967	475,404	464,437	4234.9%
MISCELLANEOUS EXPENSES	469,506	309,493	463,069	153,576	49.6%
<b>TOTAL OPERATING EXPENSES</b>	<b>10,957,434</b>	<b>6,532,452</b>	<b>7,991,947</b>	<b>1,459,495</b>	<b>22.3%</b>
<b>OPERATING INCOME/LOSS</b>	<b>(1,293,715)</b>	<b>579,095</b>	<b>(812,277)</b>	<b>(1,391,372)</b>	<b>-240.3%</b>

**Revenues**

- The increase in charges for current services is primarily the result of an additional 1,918 new residential sewer customers over the past 12 months, as well as a 9% rate increase that went into effect in January 2009.
- Decreased interest revenue is the result of a 54% lower average daily cash balance combined with a 15% decrease in the yield on the portfolio for the year. Lower cash balances are the result of a prior year deficit combined with higher operating expenses in the current fiscal year.
- A change in the method of charging engineering overhead to wastewater projects and one-time revenues received in the prior fiscal year, account for the reduction in other revenues.

**Expenses**

- Increased staffing costs are the result of filling vacant positions created in the previous fiscal year due to retirements and a few of the new positions related to the Waste Discharge Program that have recently been filled.
- Higher utility costs associated with the new Encina facility account for the higher Encina plant services.
- The replacement of a Vactor truck and a video inspection van accounts for the capital outlay expenses in the current fiscal year.

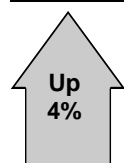
**Outlook**

Currently, the operating results for the Enterprise reflect a year-to-date loss of \$812,277. Based on activity to date, the Enterprise deficit is projected to be between \$1.5 and \$1.8 million by the end of the fiscal year. This is because the largest expense for the Enterprise, Encina plant and depreciation expenses, are only recorded on a quarterly basis and a delay in the wastewater rate increase (this amounted to an estimated \$500,000 reduction in charges for current services). There is a sufficient retained earnings balance to cover this projected deficit.

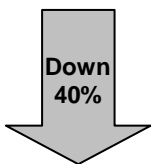
**REDEVELOPMENT AGENCY**

**CARLSBAD REDEVELOPMENT AGENCY**  
**VILLAGE PROJECT AREA**  
**OPERATIONS, DEBT SERVICE AND CAPITAL FUNDS**  
**APRIL 30, 2009**

	BUDGET FY 2008-09	YTD 04/30/2008	YTD 04/30/2009	CHANGE FROM YTD 2007-08 TO YTD 2008-09	PERCENT CHANGE
<b>REVENUES</b>					
PROPERTY TAXES	2,738,303	2,360,003	2,476,561	116,558	4.9%
INTEREST	145,000	106,084	108,592	2,508	2.4%
OTHER REVENUES	73,000	67,014	50,953	(16,061)	-24.0%
<b>TOTAL OPERATING REVENUE</b>	<b>2,956,303</b>	<b>2,533,101</b>	<b>2,636,106</b>	<b>103,005</b>	<b>4.1%</b>
<b>EXPENDITURES</b>					
STAFFING	172,353	168,037	140,229	(27,808)	-16.5%
INTERDEPARTMENTAL SERVICES	111,550	79,078	92,958	13,880	17.6%
RENTALS & LEASES	108,610	149,466	86,297	(63,169)	-42.3%
DEBT EXPENSE	1,325,190	1,046,303	1,045,397	(906)	-0.1%
CAPITAL OUTLAY	431,563	842,990	12,389	(830,601)	-98.5%
OUTSIDE SERVICES, MAINT & MISC	231,372	79,178	52,018	(27,160)	-34.3%
<b>TOTAL OPERATING EXPENDITURES</b>	<b>2,380,638</b>	<b>2,365,052</b>	<b>1,429,288</b>	<b>(935,764)</b>	<b>-39.6%</b>
<b>TOTAL OPERATING REVENUES OVER EXPENDITURES</b>	<b>575,665</b>	<b>168,049</b>	<b>1,206,818</b>	<b>1,038,769</b>	<b>618.1%</b>

**Revenues**

- Assessed values for the year have increased by 4.4% in the Village Redevelopment Area. The larger increase to date is the result of increased supplemental taxes.
- Although the average daily cash balance for the year has increased by 30%, a 15% decrease in the yield on the Treasurer's portfolio has partially offset this increase in interest revenues.
- A drop in rental revenue from the cancellation of the Sowing Sisters lease has impacted other revenues.

**Expenditures**

- A change in the allocation of staff salaries, a reduction in workers' compensation charges and a timing difference in the accrual of management incentive pay, account for the decrease in staffing expenditures.
- Higher interdepartmental charges are the result of increased miscellaneous interdepartmental charges. These charges represent services performed for the Agency by the City's General Fund.
- The Agency discontinued a parking lot lease during the current fiscal year as reflected in the reduction in rental and lease expenditures.
- Debt expenditures to date represent both bond payments made by the Agency. The remaining budget reflects the anticipated ERAF payment which is currently on hold.
- The majority of the capital outlay expenditures in the previous fiscal year were related to the Senior Center expansion.
- During the previous fiscal year, the Agency was finishing a downtown village retail analysis and revitalization project, as well as performing a design standards review, as reflected in the reduction in outside services, maintenance and miscellaneous expenditures.

**Outlook**

Depending on the delinquency rate for property tax collections, the Agency will end the year with projected operating revenues over expenditures between \$500,000 and \$600,000.